Bank Lending Survey Report
October to December 2014(Q2),FY14/15

STATISTICS DEPARTMENT, BANK OF UGANDA

EXECUTIVE SUMMARY

The Statistics Department of Bank of Uganda conducted the Lending Survey for Supervised Financial Institutions for the quarter ended December 2014. The objectives of the Survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among the deposit-taking institutions; and capture leading information on credit developments and bank lending in the Ugandan market during the period under review.

The key findings from the survey are detailed below.

Credit Standards

Credit standards for both enterprises and households remained broadly unchanged over the quarter ended December 2014. However, on a net basis, there was a bias towards easing for a majority of the economic sectors with the exception of the building, mortgage, construction and real estate and the mining and quarrying sectors which recorded a net tightening of credit standards. High default rates as a result of low property demand, a slump in property values, and the high dominance in the non-performing assets portfolio were the main factors cited for the net tightening in the aforementioned sectors, while the easing in other sectors was attributed to increased economic activity.

Outlook on Demand for credit

Credit demand from both enterprises and households is expected to increase over the next three months to March 2015. The need for funding to implement enterprise budget activities in Q3 FY 2014/15, planned infrastructure projects by Government in the health, education and energy sectors, schools fees payment during the next quarter, stable market conditions and the need by individuals to fill up liquidity gaps after high expenditures incurred during the festive season were cited as the major factors behind the expected increase in demand for credit.

Outlook on Terms & Conditions

Price margins[1] on riskier and average loans for enterprises are expected to tighten, while margins on prime borrowers are expected to remain broadly unchanged, but with a bias towards easing on a net basis. All non-price terms and conditions for enterprises are expected to tighten on a net basis due to: the sector's focus on reducing nonperforming loans especially for riskier loans

1 Margins are payments of cash or deposits of collateral that cover actual or potential obligations incurred. The required provision of margin reflects counter party risk. (IMF monetary and financial statistics manual.)

and the banks' need to improve the quality of their portfolios. On the other hand, intense competition in the banking sector is expected to be the key driver for easing of price terms and conditions to prime borrowers. For households, all terms and conditions are expected to remain unchanged, with a bias towards tightening for riskier loans, tightening of collateral requirements and maturity period of the loans. The net tightening of terms for households was attributed to the need to maintain a quality portfolio while minimising the risk related to unsecured personal loans.

Outlook on the default rate on loans

On a net basis, the default rate on loans to enterprises is expected to decrease, while the rate on loans to households is expected to increase over the quarter to end March 2015. Those that reported a decrease in default rate cited: the tight credit appraisal processes and follow-up of arrears by banks, improved economic conditions, a stable CBR and the continued effective use of the Credit Reference Bureau, as the key reasons. On the other hand, the increase in default rate was attributed to: increased household expenditure during the festive season, the persistent weakening of the Shilling which may drive up costs of production and operation, coupled with payment of school fees in Q3 FY 2014/15 which are likely to constrain household cash flows.

Interest Rate Expectations

Lending rates are expected to remain largely unchanged over the quarter to end March 2015 owing to the relatively stable economy, stability in the CBR for over the past three months, relatively low inflation and the declining cost of funds.

1. Introduction to the lending survey

Objectives of the Survey

The lending survey is conducted by the Statistics Department of the Bank of Uganda (BOU) to capture past and prospective developments in the credit market[2]. The survey is designed to complement existing data on credit and lending rates by providing supplementary information on supply and demand conditions in the credit markets and the lending policies of banks.

The main objectives of the survey are to:

i) Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions.

ii) Capture leading information on credit developments and bank lending in the Ugandan market during the reference period.

The survey covered the outturn for the quarter ended December 2014 and expectations for the quarter ending March 2015. Questionnaires were sent out to all 25 Commercial banks and 6 Non bank financial institutions (NBFIs) in Uganda, yielding response rates of 100 percent for both Commercial banks and Non-bank financial institutions.

See appendix 1 for methodology and Analysis of results.

The Non-Bank Financial Institutions analysis is provided separately in the *appendix (9-14)* to this report.

[2] Although the survey is distributed to all supervised financial institutions, the survey report covers only the responses received from commercial banks.

2. Survey Findings

2.1 Credit to Enterprises

Unchanged Credit standards to Enterprises in Q2

2.1.1 Credit standards

The majority of banks (82.6 percent) reported that their credit standards had remained broadly unchanged in the last three months to December 2014; while 11.9 and 5.5 percent of the respondents reported easing and tightening of credit standards for overall loans to enterprises, respectively. Overall, on a net basis, there was a bias towards easing of 6.3 percent during the quarter. (*Figure 1 and Table 1*).

The key factors cited for the broadly unchanged credit standards to enterprises were: stability in interest rates and the economy in general, as well as a stable demand for credit and banks' focus on improving portfolio quality.

On the other hand, banks that reported easing of credit standards on a net basis over the quarter cited: the high demand for working capital during the festive season and increased overdrafts for schools to pay December salaries as the key factors.

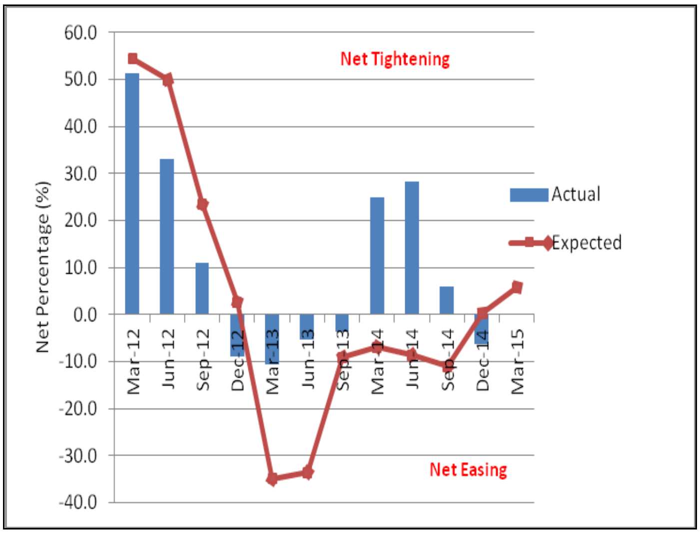
In terms of lending to different sizes of enterprises, the majority of respondents reported having maintained their credit standards for both Small and Medium Enterprises (SMEs) and large enterprises. On a net basis, however, there was a bias towards tightening for SMEs and easing for large enterprises in the quarter under review as depicted in *Table* 1 below.

In terms of maturity profile, banks seem to be more focused on short term loans rather than long term loans as depicted by the pace of easing on a net basis. Banks reported a net easing of 12.3 percent for short term loans, in contrast to a net tightening of 26.6 percent for long term loans in the quarter to December 2014. The net easing for short term loans was attributed to the increased holding of short term deposits; whereas the net tightening for long term loans was mainly on account of declining values of collaterals (mainly land) in the past months.

Table 1: Credit Standards as applied to approval of loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Tightened(A)	6.3	5.5	2.7	26.7	8.1	5.5	2	2.6	32.8	28.2
Unchanged	93.6	82.6	93.4	61.0	91.9	82.6	70.4	82.6	67	70.2
Eased (B)	0.2	11.9	0.2	12.4	0	11.9	27.6	14.9	0.2	1.6
Net %(A-B)	6.1	-6.3	2.5	14.3	8.1	-6.3	-25.6	-12.3	32.6	26.6

Figure 1: Credit standards to Enterprises



Notes:

(a) Net percentage balances are calculated by obtaining the difference between the percentages of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.

(b) The bar graphs show the net percentages over the previous three months. The line graph shows the expectation over the next three months.

(c)Expectations have been moved forward one quarter so that they can be compared with the actual outturn in the following quarter.

Credit standards expected to tighten on a net basis in Q3 FY 2014/15, at a much faster pace.

In the next three months to March 2015, banks expect overall credit standards to tighten on a net basis (*See Figure 1 and Table 2*).

In regard to enterprise size, the majority of banks expect credit standards to both large and small and medium enterprises to remain broadly unchanged with a bias towards tightening for large enterprises and easing for SMEs in the quarter to end March 2015 (*see Table 2*).

As was the case for the quarter ended December 2014, the banks' focus still remains more on short term lending rather than long term, as indicated by their expected net easing for short term loans (44.9 percent) in contrast to the expected tightening for long term loans of 38.2 percent. Key factors cited for the expected tightening for long term loans include: the anticipation of a slowdown in business activity in 2015, need for long term liabilities to match the long term loans and the uncertain political environment related to the forthcoming national elections.

The banks that expect to ease credit standards in Q3 of FY 2014/2015 cited: the low Central Bank Rate (CBR) and the focus on short term lending as the major reasons.

Table 2: Expectations for Credit Standards as applied to approval of loans to Enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Stance	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Tighten (A)	1.5	9.1	7.2	9.7	6.9	17.7	0.6	0.0	6.9	42.4
Unchanged	97.5	75.8	90.6	79.5	90.7	69.4	69.5	55.1	87.8	53.5
Ease (B)	1.2	3.3	2.4	10.4	2.5	12.9	27.3	44.9	5.4	4.1
Net %(A-B)	0.3	5.8	4.8	-0.7	4.4	4.9	-26.7	-44.9	1.5	38.2
Interpretation: Negative-net easing, positive-net tightening										

2.1.2 Credit Standards by Sector

Easing of credit standards in most sectors but tightening in the Building, mortgage, construction and real estate sector and the Mining and quarrying sector in Q2 FY 2014/15

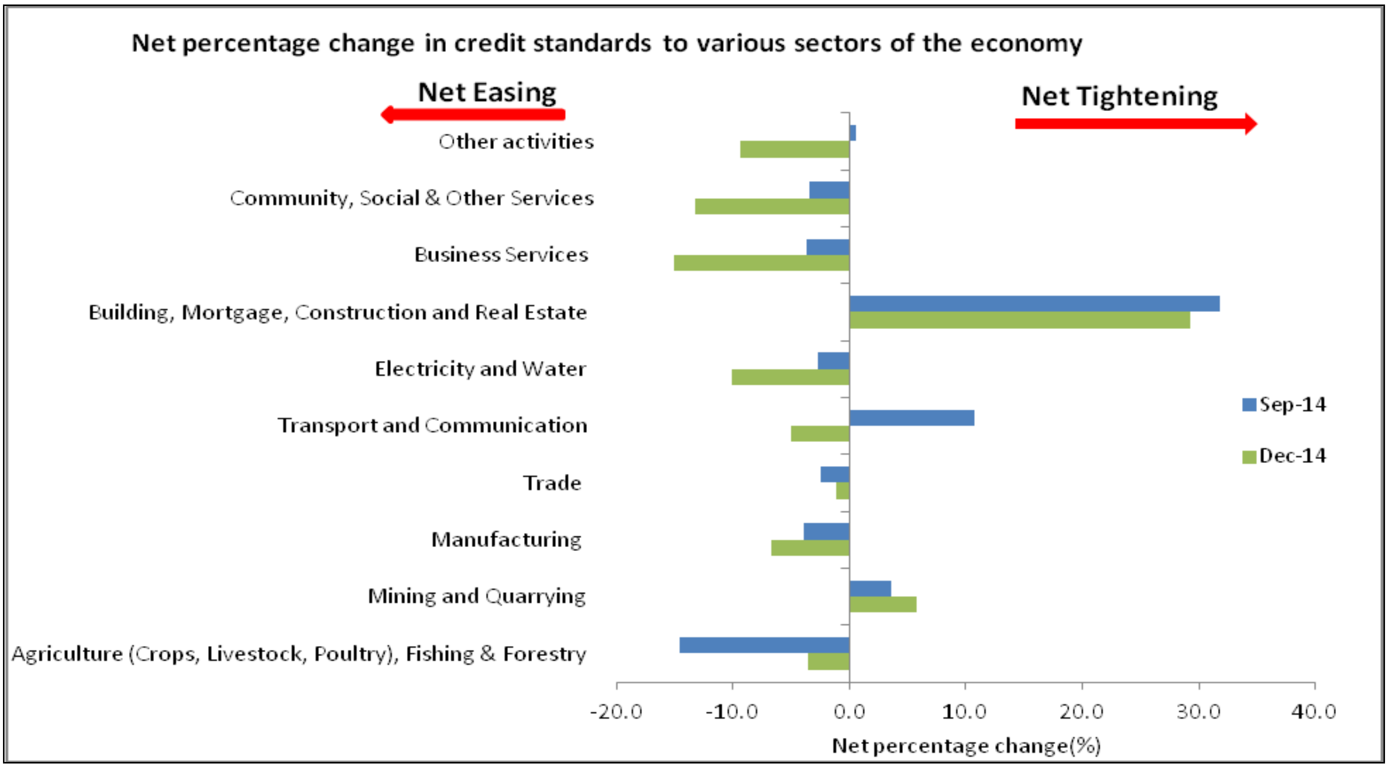
For the various sectors of the economy, banks reported that they kept credit standards broadly remained unchanged with a bias towards easing for the majority of sectors. Notably, however, lenders indicated a net tightening in the building, mortgage, construction and real estate and the mining and quarrying sectors.

The key factors cited for the tightening of credit standards to the building, mortgage, construction and real estate sector were: high default rates as a result of low property demand, a slump in property values over the last two years, and the high dominance in the non-performing assets portfolio.

On the other hand, the following sectors had the highest percentage of respondents reporting a net easing of credit standards: business services, the community, social and other services and electricity and water sector. (*See Figure 2*)

The key reason for easing of credit standards to the business services sector was the increased economic activity accruing from the sector during the festive season.

Figure 2: Changes in credit standards by economic sector



2.1.3 Expected Changes in Terms & Conditions for Credit to Enterprises

Price terms:
Expectation of tighter margins for riskier and other loans in Q3 FY2014/15

In the quarter to March 2015, majority of the respondents (59 per cent) expect the margin on riskier loans to tighten, 41 percent expect no change while none thought it would ease.

The majority of the respondents (52 percent) expect the margin on prime borrowers to remain unchanged. 32 percent expect the margin to ease while 10 percent expect the margin to tighten. Respondents cited tense competition in the banking sector as the key reason for the expected net easing of the margin on prime borrowers.

The margin on other loans is also expected to remain broadly unchanged (76 percent) while 14 percent expect a wider (tighter) margin and only 10 percent expect it to ease.

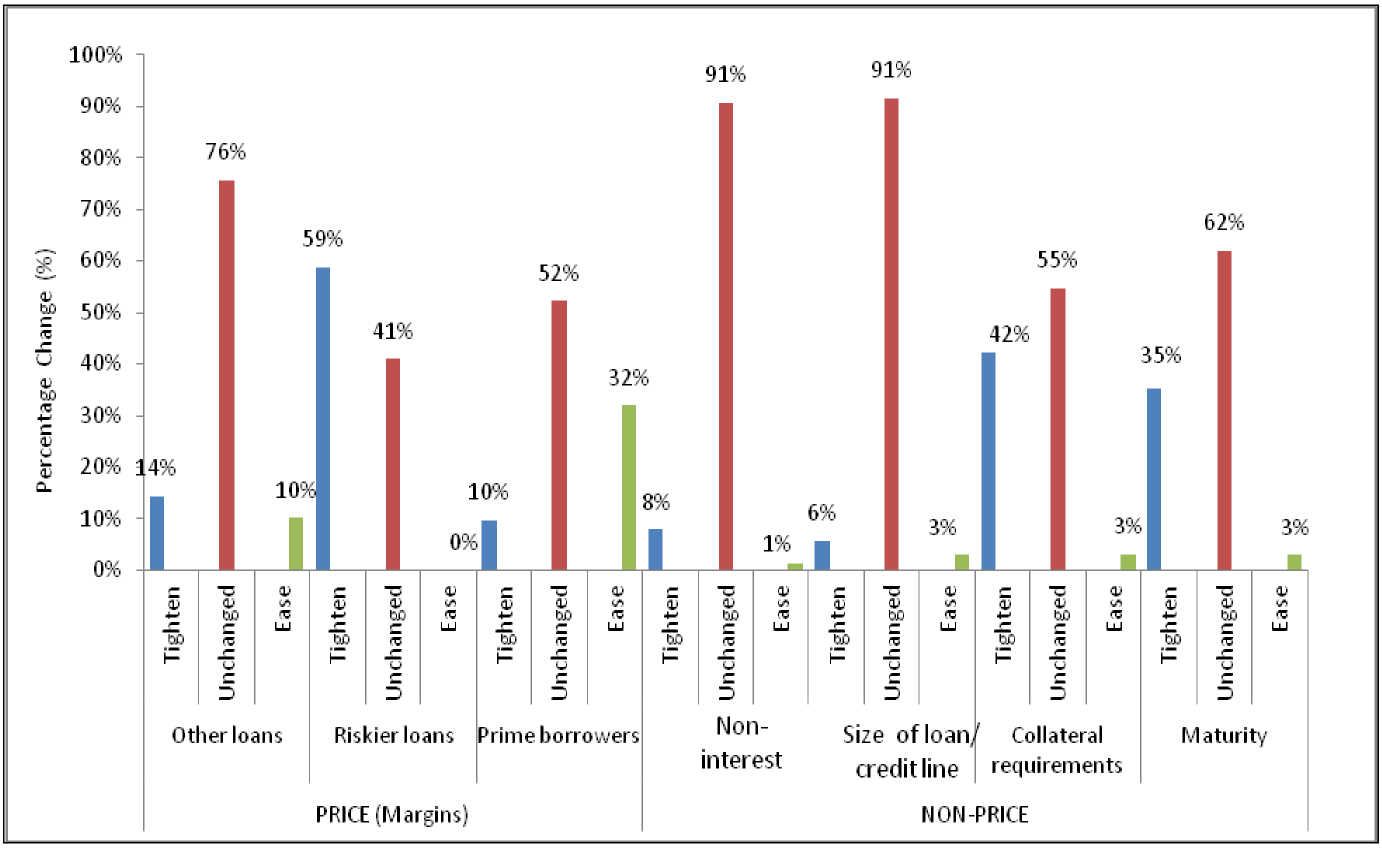
Non-Price terms:
Expected to tighten on a net basis in Q3 FY 2014/15

Like in the previous survey, non-price terms and conditions are expected to remain unchanged with a bias towards tightening on a net basis for all the terms.

Key factors cited for the expected net tightening of non-price terms and conditions were: the focus on reducing nonperforming loans especially for riskier loans and the need to improve asset quality of their portfolios.

Figure 3 below illustrates the expected changes in the terms and conditions for approving loans to enterprises.

<u>Figure 3: Expected changes in terms & conditions for approving loans to enterprises for Quarter Ending March 2015</u>



2.1.4 Demand for Credit

Credit demand expected to increase in Q3 FY2014/15

The majority of the banks (46.1%) expect demand to remain unchanged. On a net basis there is an anticipated increase at a much slower pace, as only 39.9 percent of banks expect an overall increase compared to the 58.6 percent recorded in the previous survey results.

On the other hand, 13.7 percent expect decreased demand for credit in the quarter to March 2015. (*See Table 3*).

Table 3: Demand expectations for the next three months (January-March 2015)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Increase(A)	58.6	39.9	29.3	38.5	48.5	50.0	53.2	45.4	26.0	26.8
Unchanged	41.4	46.1	64.8	50.1	45.5	42.0	41.1	44.6	43.3	43.0
Decrease(B)	0.2	13.7	0.2	11.5	0.2	8.0	0.0	10.0	24.9	30.2
Net %(A-B)	**58.4**	**26.2**	**29.0**	**27.0**	**48.3**	**42.1**	**53.2**	**35.4**	**1.1**	**-3.4**
Interpretation: Negative-net decrease, positive-net increase										

Some of the major reasons given for the positive outlook (increased demand) above were;

a) Implementation of enterprise budget activities in Q3 FY 2014/15, which will need funding.

b) Planned infrastructure projects by Government in the health, education and energy sectors; both in the short and medium term.

On the other hand, those that anticipated a decrease in credit demand cited: low economic activity expected in Q3, coupled with the uncertainty arising from the upcoming elections.

2.1.5 Expected Default rate on loans to enterprises

Default rate expected to decrease on a net basis in Q3 FY 2014/15

Banks were asked to report their expectations on the change in default rates on loans to enterprises over the quarter to end March 2015. Majority of the respondents (55.2 percent) expect the overall default rate by enterprises to remain unchanged in the quarter to end March 2015. However, 41.3 percent expect the rate to decrease while only 3.5 percent anticipate an increase. (*See Table 4*). The key factors cited for the expected decrease in default rates on loans to enterprises were: tight credit appraisal processes and follow-up of arrears by banks, improved economic conditions, a stable CBR and continued effective use of the Credit Reference Bureau (CRB).

On the other hand, respondents who reported an expected increase in default rates cited the weakening of the Shilling which may drive up costs of production and operation, hence deterring or delaying repayment of loans by clients.

Table 4: Default rate expectations for the next three months (January-March 2015)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Increase(A)	8.7	3.5	8.7	6.2	11.4	0.0	0.2	0.0	9.0	3.5
Unchanged	39.6	55.2	60.6	75.0	39.7	64.8	46.9	58.7	41.0	57.2
Decrease(B)	51.9	41.3	27.2	18.8	49.1	35.2	53.0	41.3	50.1	39.3
Net %(A-B)	-43.3	-37.9	-18.6	-12.6	-37.7	-35.2	-52.8	-41.3	-41.1	-35.8

2.2 Credits to Households and Individuals

2.2.1 Credit standards to households

Unchanged credit standards for households in Q2

In the quarter ended December 2014, the majority of lenders (about 42.1 per cent), reported unchanged overall availability of credit provided to households and individuals. On a net basis however, banks reported tightening of credit standards to households and individuals (5.1 percent) in the quarter ended December 2014.

The major reason cited by respondents for the unchanged standards to households was stability in key policy determinants, such as the CBR.

On the other hand, banks that reported tightening of credit standards to households cited: a lower risk appetite, especially with regard to unsecured personal loans and the focus on reducing non-performing loans as the key reasons.

Outlook: Ease in credit standards to households anticipated in Q3 FY 2014/15

The majority of commercial banks (about 60.9 percent) expect overall credit standards to households and individuals to ease in the quarter to end March 2015. On a net basis, banks expect easing of credit standards at a much faster pace (51.8 percent) than in the previous quarter (35.5 percent).

Key factors cited for the expected net easing above include; a) effective information availability from the CRB; b) higher demand for consumer loans intended for school fees payment and c) anticipated improvement in the economic situation, coupled with improved bank liquidity.

2.2.2 Demand expectations for credit from Households

Expected increase in Credit Demand from households in Q3 FY2014/15

In the quarter ending March 2015, 79.2 percent of lenders expect demand for credit by households to increase. This is much higher than the 59.7 percent that was recorded for the quarter ended December 2014. Only 5.3 percent of the respondents anticipate a decline in credit demand, while 15.5 percent expect credit demand from households to remain unchanged in the quarter to March 2015.

Key factors cited for the expected increase in credit demand by households include: seasonal effects attributed to the schools fees payment period during Q3 FY 2014/15, stable market conditions and the need by individuals to meet liquidity constraints arising from high expenditures incurred during the festive season.

2.2.3 Outlook on Terms & Conditions for Credit to Households

The majority of lenders indicated that they expect to keep their overall terms and conditions for consumer credit unchanged over the next three months to March 2015. However, on a net basis, there was a bias towards tightening for riskier loans, collateral requirements and maturity period while other categories faced a net easing. (*See Appendix 6*)

Banks that expect to maintain their terms and conditions to households cited stiff competition and a stable economic condition as the key factors. On the other hand, those that anticipate a tightening of conditions attribute this to the need to maintain a quality portfolio while minimising risks related to unsecured personal loans.

2.2.4 Default rate on loans to Households

Default rate expected to remain unchanged in Q3 FY 2014/15

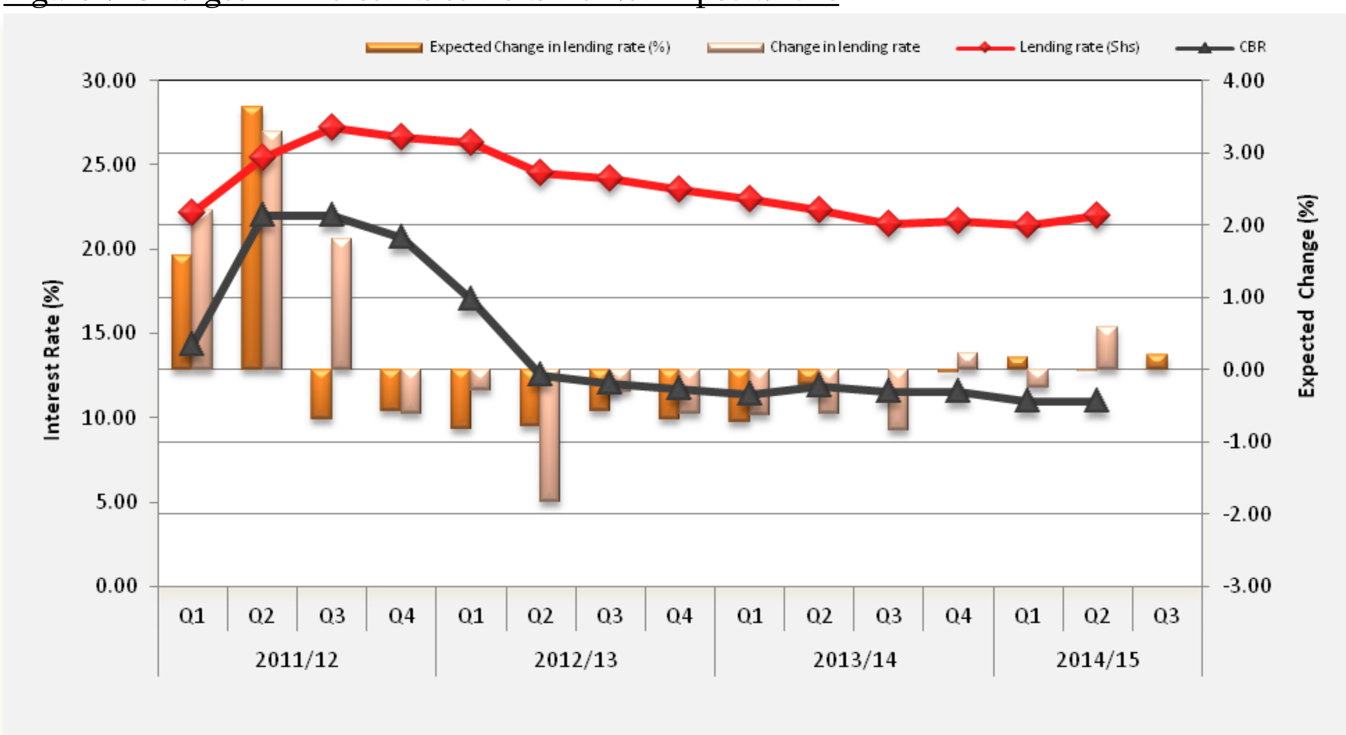
The majority of the commercial banks (about 47.4 percent) expect the default rate on loans to households to remain unchanged over the quarter to end March 2015. About 28 percent expect the default rate to increase, while 24.6 percent expect a decrease in the default rate on loans to households in the next quarter. The key factor cited for the expected net increase in default rates by households was: constrained household cash flows during Q3 FY 2014/15 arising from household expenditure on payment of school fees.

2.3 Interest Rate Expectations for Quarter 3, FY 2014/15

The survey results indicate that majority of banks expect to maintain lending rates over the next quarter to March 2015 as shown in *Figure 4* below. Only two out of the 25 banks expect lending rates to reduce over the next quarter to March 2015 while another two expect an increase, as shown in *Appendix 2*.

Banks that expect unchanged interest rates over the next quarter to March 2015 cited: the relatively stable economy, an unchanged CBR over the past quarter, relatively low inflation and the declining cost of funds as the main reasons for their outlook.

Figure 4: Changes in interest rates vis-à-vis Net Expectations



Notes: The line graphs show actual lending rate and CBR outturns over the quarter. The bar graphs show the average percentage, by which lending rates were expected to increase over the next quarter following the survey and the actual change in lending rates over the quarter. Expectations have been moved forward by one quarter so as to be comparable with the actual outturns.

3. Conclusion

On the supply side: the bank lending survey for Q2 FY 2014/2015 indicated that majority of banks reported unchanged credit standards regarding the overall availability of loans to enterprises and households.

However, on a net basis, banks indicated easing of credit standards for enterprises and tightening for households.

According to banks, the net easing of credit standards for enterprises was mainly driven by a higher demand for working capital during the festive season and increased overdrafts for schools to pay December salaries.

On the other hand, lenders that reported tighter credit conditions for households cited; a lower risk appetite especially with regard to unsecured personal loans and the focus on reducing non-performing loans as the key factors.

On the demand side: most lenders anticipate credit demand from both enterprises and households to increase, over the next three months to March 2015. The key factors given for these credit demand expectations in Q3 FY 2014/2015 include: the need for funding to implement enterprise budget activities in Q3 FY 2014/15, planned infrastructure projects by Government in the health, education and energy sectors, schools fees payment during the quarter to March 2015, stable market conditions and the need by individuals to meet liquidity constraints arising from high expenditures incurred during the festive season.

On interest rate expectations, banks expect lending rates to remain largely unchanged over the quarter to end March 2015 mainly attributed to the relatively stable economic conditions.

4. Policy Implications

The survey results indicate that banks' expectations point towards a further increase in credit demand (from both enterprises and households), unchanged terms and conditions and broadly unchanged credit standards with a bias towards net easing for households and net tightening for enterprises in the quarter ending March 2015.

Looking forward, it is likely that the anticipated focus on short term loans and loans to SMEs/individuals coupled with the relatively optimistic economic outlook and the declining cost of funds available for onward lending, could lead to a spur in both credit demand and supply in Q3 FY 2014/2015.

APPENDICES

APPENDIX 1: Methodology

Questions:

The questions in the Bank lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the three month period (October-December 2014), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period. (*Appendix 2*)

Analysis of results:

For the analysis of aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'. The results are summarized by calculating '*net percentage balance*' i.e. the difference between the weighted balances of lenders reporting that, say, demand had increased/ decreased or credit standards were tightened/ eased. The net percentage balances are scaled to a range between -100 and +100.

Positive net percentage balances indicate those lenders that reported/expected demand/default rate to be higher than the previous/current three-month period, or rather that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.(See *illustration below)*

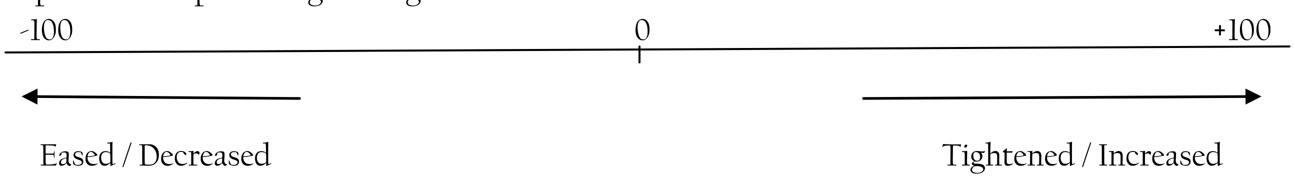
On the other hand, Interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels, and by how much. The responses were weighted by the respondent Institutions' market share in the total credit market for the quarter ended December 2014 as shown in *Appendix 3*.

Illustration

'Eased somewhat' + 'Eased considerably' = Eased
'Tightened somewhat' + 'Tightened considerably' = Tightened

Response	**Fraction of total giving response (%)**
Eased / Decreased	X
Unchanged	Y
Tightened / Increased	Z
Net percentage change	Z - X

Interpretation of percentage change



COMMERCIAL BANKS:

APPENDIX 2: Credit Standards as applied to approval of loans to households by Banks

	Sep-14	Dec-14
Tighten (A)	3.9	31.5
Unchanged	65.8	42.1
Eased (B)	30.2	26.4
Net %(A-B)	-26.3	5.1

APPENDIX 3: Household and consumer credit standards-expectations (January-March 2015) by Banks

	Dec-14	Mar-15
Tighten(A)	13.4	9.1
Unchanged	37.8	30.0
Ease(B)	48.8	60.9
Net %(A-B)	-35.5	-51.8

APPENDIX 4: Expected changes in terms & conditions for approving loans to households by Banks

	Average loans		Riskier loans		Prime borrowers		Non-interest rate		size of loan		collateral		Maturity	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Tighten(A)	3.0	2.7	9.3	21.0	3.0	0.0	24.7	0.0	1.4	0.0	5.4	11.5	1.4	23.5
Unchanged	83.1	92.5	89.6	79.0	84.5	96.9	71.4	97.2	69.5	75.9	91.8	86.9	99.6	75.8
Ease (B)	14.0	4.8	0.0	0.0	12.6	3.1	2.8	2.8	29.1	24.1	2.9	1.6	0.2	0.6
Net %(A-B)	-11.0	-2.2	9.3	21	-9.7	-3.1	21.8	-2.8	-27.7	-24.1	2.5	9.9	1.2	22.9

APPENDIX 5: Household and consumer credit demand expectations (January-March 2015) by Banks

	Dec-14	Mar-15
Increase(A)	59.7	79.2
Unchanged	39.3	15.5
Decrease(B)	1.2	5.3
Net %(A-B)	**58.5**	**73.9**

APPENDIX 6: Household and consumer credit default rate expectations (January-March 2015) by Banks

	Dec-14	Mar-15
Increase(A)	21.3	28.0
Unchanged	60.0	47.4
Decrease(B)	18.9	24.6
Net %(A-B)	**2.4**	**3.3**

NON-BANK FINANCIAL INSTITUTIUONS:

APPENDIX 7: Credit Standards as applied to approval of loans to enterprises by NBFIs

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Tightened(A)	36.0	48.0	25.8	48.0	25.8	26.7	36.0	26.7	25.8	26.7
Unchanged	64.0	52.0	74.2	52.0	53.0	52.0	64.0	73.3	74.2	73.3
Eased (B)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net %(A-B)	**36.0**	**48.0**	**25.8**	**48.0**	**25.8**	**26.7**	**36.0**	**26.7**	**25.8**	**26.7**

APPENDIX 8: Expectations for Credit Standards as applied to approval of loans to enterprises by NBFIs

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Tightened(A)	0	26.7	0	26.7	0	26.7	0	37.9	25.8	26.7
Unchanged	100	41.2	100	19.9	45.7	19.9	100	62.1	74.2	41.2
Eased (B)	0	32.1	0	53.4	33.1	32.1	0	0.0	0	32.1
Net %(A-B)	**0**	**-5.4**	**0**	**-26.7**	**-33.1**	**-5.4**	**0**	**37.9**	**25.8**	**-5.4**

APPENDIX 9: Expected changes in terms & conditions for approving loans to enterprises by NBFIs

NBFI Action	Margin on other loans		Margin on riskier loans		Margin on prime borrowers		Non-interest rate charges		Size of loan/credit line		Collateral requirements		Maturity	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Tightened(A)	0.0	67.9	28.8	1.7	0.0	0.0	0.0	0.0	0.0	0.0	25.8	11.2	0.0	0.0
Unchanged	74.2	32.1	71.2	98.3	64.0	71.7	100.0	100.0	66.9	60.9	41.2	88.8	74.2	100.0
Eased (B)	25.8	-32.1	0.0	0.0	25.8	28.3	0.0	0.0	33.1	39.1	33.1	0.0	25.8	0.0
Net%(A-B)	-25.8	67.9	28.8	1.7	-25.8	-28.3	0.0	0.0	-33.1	-39.1	-7.3	11.2	-25.8	0.0

APPENDIX 10: Credit Demand expectations from enterprises (January-March 2015) by NBFIs

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15	Dec-14	Mar-15
Increase(A)	50	1.7	50.0	8.6	43.4	8.6	50.0	34.2	75.8	1.7
Unchanged	24.2	66.2	50.0	59.2	24.2	59.2	24.2	33.7	24.2	66.2
Decrease(B)	25.8	32.1	0.0	32.1	25.8	32.1	25.8	32.1	0	32.1
Net %(A-B)	**24.2**	**-30.5**	**50.0**	**-23.5**	**17.6**	**-23.5**	**24.2**	**2.1**	**75.8**	**-30.5**

APPENDIX 11: Household and consumer credit standards-expectations (January-March 2015) by NBFIs

	Dec-14	Mar-15
Increase(A)	0	12.9
Unchanged	74.2	87.1
Decrease(B)	25.8	0.0
Net %(A-B)	**-25.8**	**12.9**

APPENDIX 12: Household and consumer credit demand expectations (January-March 2015) by NBFIs

	Dec-14	Mar-15
Increase(A)	41.2	52.0
Unchanged	25.8	48.0
Decrease(B)	33.1	0.0
Net %(A-B)	**8.1**	52.0

Appendix 13: Summary of Bank lending survey results

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'.
These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institution's market share over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sector.
The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Net percentage balances [(a)]

Period		2011/12				2012/13				2013/14				2014/15	
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2**	Q3	Q4	Q1	Q2
How has your bank's credit policy as applied to the approval of loans or credit lines to enterprises changed?															
Overall	Past three months	33.7	67.6	51.3	33.1	11.1	-8.9	-10.6	-5.3	-3.6	n/a**	25.0	28.3	6.1	-6.3
	Next three months	89.9	54.5	50.0	23.4	2.7	-34.8	-33.5	-9.0	-7.0	n/a**	-8.6	-11.0	0.3	5.8
SMEs (b)	Past three months	42.2	38.0	58.7	32.7	29.1	10.4	-6.6	15.5	18.3	n/a**	22.7	26.9	2.5	14.3
	Next three months	84.8	54.4	49.0	18.4	2.2	-56.1	-26.6	-3.5	-13.1	n/a**	-11.2	-14.2	4.8	-0.7
Large enterprises	Past three months	36.0	67.6	58.6	31.1	15.5	-4.5	-4.0	-4.1	-5.1	n/a**	5.5	4.0	8.1	-6.3
	Next three months	61.3	50.7	74.6	6.8	-13.7	-24.9	-27.0	-4.0	-9.5	n/a**	2.6	-0.4	4.4	4.9
Short term loans	Past three months	24.7	55.1	46.4	27.9	13.6	-12.6	-13.9	-8.7	-15.0	n/a**	-19.7	-24.0	-25.7	-12.3
	Next three months	59.3	34.8	38.0	5.0	-47.2	-59.9	-27.7	-7.7	-17.6	n/a**	-24.2	-32.8	-26.7	-44.9
Long term loans	Past three months	39.9	85.9	62.7	33.8	45.6	0.6	-4.1	14.9	-2.8	n/a**	24.0	28.2	32.5	26.6
	Next three months	98.8	77.1	80.1	37.5	2.3	-25.4	-28.2	13.5	-3.2	n/a**	21.7	23.1	1.5	38.2
How has your institution's credit policy as applied to the approval of loans or credit lines to enterprises changed for the following sectors?															
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	25.1	60.3	51.0	29.9	-39.3	-32.8	-3.0	10.3	-7.4	n/a**	7.7	-2.5	-14.6	-3.5
Mining and Quarrying	Past three months	-2.1	2.9	53.8	39.5	0.0	-6.8	-1.8	0.7	1.0	n/a**	1.3	-1.1	3.6	5.8
Manufacturing	Past three months	10.2	19.0	53.1	42.9	-8.0	-14.0	-6.4	-9.6	-28.6	n/a**	19.0	23.1	-3.9	-6.7
Trade	Past three months	39.7	27.5	47.4	44.0	-15.6	-15.6	-13.9	13.3	-10.0	n/a**	-19.4	-29.1	-2.5	-1.2
Transport and Communication	Past three months	36.9	58.2	52.1	39.7	-10.5	-16.7	-14.0	-9.5	-27.9	n/a**	-12.3	-26.4	10.8	-5.0
Electricity and Water	Past three months	7.3	6.5	50.6	41.8	-7.6	-16.7	-9.3	-28.3	-24.5	n/a**	-18.8	-26.4	-2.7	-10.1
Building, Mortgage, Construction and Real Estate	Past three months	67.0	57.5	60.2	48.2	47.2	7.8	15.8	46.8	22.4	n/a**	33.9	33.2	31.8	29.3
Business Services	Past three months	62.7	28.6	54.1	44.0	-2.9	-11.7	1.2	-20.0	-21.3	n/a**	2.1	-2.1	-3.7	-15.1
Community, Social & Other Services	Past three months	14.5	21.3	54.4	45.2	-5.4	-17.5	-8.2	-30.3	-25.8	n/a**	1.1	-1.5	-3.5	-13.3
Personal Loans and Household Loans	Past three months	52.3	0.0	48.2	35.2	-8.1	-15.9	-3.3	-24.8	-24.6	n/a**	2.0	-1.1	0.6	-9.3
How do you expect your institution's terms and conditions for approving loans or credit lines to enterprises to change?															
Margin on average loans	Next three months	98.9	21.0	35.0	-42.3	-17.2	-43.4	-29.0	-55.6	-32.2	n/a**	-23.2	-28.3	-25.7	4.1
Margin on riskier loans	Next three months	96.4	93.7	70.6	36.7	41.0	21.1	9.3	29.3	19.5	n/a**	37.8	44.5	56.1	58.9
margin on prime borrowers	Next three months	45.9	-2.0	1.1	-45.8	-31.4	-44.4	-46.0	-41.0	-32.5	n/a**	-8.3	-21.8	-21.1	-22.2
Non-interest rate charges	Next three months	18.0	-19.1	49.3	-0.5	-4.3	-2.4	-10.0	-3.3	-1.0	n/a**	-0.8	-3.1	-2.8	6.7
Size of the loan or credit line	Next three months	55.0	69.5	61.3	28.3	3.4	3.4	-8.1	-17.7	-1.2	n/a**	-0.3	-3.9	-2.8	2.7
Collateral requirements	Next three months	51.7	71.9	31.5	38.1	31.9	1.0	-10.4	10.3	21.2	n/a**	25.2	26.6	31.3	39.3
Maturity	Next three months	48.9	20.4	24.3	29.9	5.6	-16.2	-21.6	-37.7	-21.4	n/a**	-19.6	-22.9	4.3	32.3
Please indicate how you expect demand for loans or credit lines by enterprises to change at your institution?(apart from normal seasonal fluctuations)?															
Overall	Next three months	-67.6	-77.9	-44.8	28.9	86.1	52.0	66.6	64.5	57.6	n/a**	6.9	26.4	58.4	26.2
SMEs	Next three months	-62.0	-65.7	-11.0	69.6	81.1	70.3	59.7	37.3	60.5	n/a**	-9.6	-7.0	29.0	27.0
Large enterprises	Next three months	-40.0	-80.0	-45.7	32.3	52.7	68.9	43.0	38.0	46.1	n/a**	-13.0	-8.4	48.3	42.1
Short term loans	Next three months	-10.4	-71.9	-9.8	30.2	81.5	70.7	68.6	38.1	78.2	n/a**	28.5	48.3	53.2	35.4
Long term loans	Next three months	-69.7	-82.0	-57.9	-9.9	37.4	60.9	69.6	59.7	46.1	n/a**	-17.7	-9.0	1.1	-3.4
Please indicate how do you expect the default rate on loans to enterprises to change over the next three months ? ?															
Overall	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-25.1	-67.8	12.1	-3.1	n/a**	32.8	25.8	-43.3	-37.9
SMEs	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-47.7	-57.3	0.1	-4.0	n/a**	32.9	24.6	-18.6	-12.6
Large enterprises	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-16.3	-42.4	0.2	2.2	n/a**	33.0	22.5	-37.7	-35.2
Short term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-43.5	-65.0	12.9	-3.1	n/a**	22.3	26.4	-52.8	-41.3
Long term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-42.6	-60.1	19.1	3.5	n/a**	31.9	24.1	-41.1	-35.8

		Net percentage balances													
Period		2011/12				2012/13				2013/14				2014/15	
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2**	Q3	Q4	Q1	Q2
How have your bank's credit policy as applied to the approval of loans to households and non-enterprises changed?	Past three months	22.8	72.4	53.1	15.7	1.1	-29.8	-21.1	-45.6	-1.0	n/a**	-25.0	-30.9	-26.3	5.1
	Next three months	88.3	81.2	9.2	-5.7	-12.9	-64.7	-46.0	-57.2	-31.1	n/a**	-42.5	-46.7	-35.5	-51.8
											n/a**				
Please indicate how you expect demand for loans to households (for purposes of consumer credit) to change?	Next three months	-40.8	-68.5	33.0	55.5	87.3	71.7	64.0	76.3	75.8	n/a**	66.0	56.5	58.5	73.9
How do you expect your institution's terms and conditions for approving loans or credit lines to households to change?															
Margin on average loans	Next three months	91.7	0.7	39.5	-32.8	-25.1	-37.6	-35.8	-36.6	-11.1	n/a**	-36.9	-0.9	-11.0	-2.2
Margin on riskier loans	Next three months	95.5	35.9	-10.1	13.1	36.3	10.2	5.2	-16.0	5.3	n/a**	2.6	18.0	9.3	21.0
Margin on prime borrowers	Next three months	0.0	-26.2	27.2	-44.3	-23.2	-27.6	-39.0	-43.1	-20.6	n/a**	-10.7	-12.1	-9.7	-3.1
Non-interest rate charges	Next three months	23.2	-12.7	27.5	-5.7	-4.4	1.7	0.0	16.0	28.5	n/a**	20.5	23.6	21.8	-2.8
Size of the loan or credit line	Next three months	79.2	77.4	12.6	34.8	9.8	-27.6	-14.6	-39.1	-15.6	n/a**	-22.2	-26.9	-27.7	-24.1
Collateral requirements	Next three months	87.3	-0.1	13.5	8.6	9.6	8.8	3.1	5.1	10.8	n/a**	1.3	5.0	2.5	9.9
Maturity	Next three months	42.1	11.9	-13.0	28.9	-1.1	-15.3	-17.8	-22.1	1.2	n/a**	0.1	1.3	1.2	22.9
Please indicate how do you expect the default rate on loans to households to change over the next three months ?	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-50.0	-32.7	31.8	42.4	n/a**	30.3	43.7	2.4	3.3

		Net percentage balances													
Period		2011/12				2012/13				2013/14				2014/15	
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2**	Q3	Q4	Q1	Q2
To what extent have the events in the global financial markets affected your bank's willingness to lend?	Past three months	12.29903	-15.2368	-9.24084	-3.72706	39.76854	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
	Next three months	-46.8	-12.8	-8.4	-4.2	58.3	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
How do you expect the lending rates at your institution;															
To change?	Next three months	92.4	-31.1	-16.5	-66.8	-69.3	-78.6	-42.9	-50.4	-21.3	n/a**	-3.3	4.9	0.3	7.5
And by how much?(c)	Next three months	3.62	-0.68	-0.57	-0.83	-0.78	-0.57	-0.69	-0.72	-0.22	n/a**	-0.04	0.16	0.00	0.20

* The frequency of the lending survey was increased from bi annual to quarterly in the Q2 FY 2010/11 survey.

** Additional question not asked in survey.

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.

(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

(d) The survey was not conducted in Q2** FY 2013/14